

MAXIMUS CALIFORNIA HEALTHY FAMILIES PROJECT

Internal Audit Report
Access to Infants and Mothers
Eligibility and Participation

May 1, 2008 to April 30, 2009

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SECTION ONE

Internal Auditor's Report

SECTION ONE – INTERNAL AUDITOR’S REPORT

Mr. Bruce Caswell, President, MAXIMUS Operations Group
Reston, Virginia

We performed tests of management’s assertions (Section Four) about the internal control structure with respect to the Eligibility and Participation processing performed by the MAXIMUS California Healthy Families Project (the Project) during the period May 1, 2008 through April 30, 2009 and its compliance under contract 02MHF026 with the State of California Managed Risk Medical Insurance Board (MRMIB) (Specified Requirements) related to the Access for Infants and Mothers (AIM) program (the Project) during the period May 1, 2008 through April 30, 2009. We also performed tests of the compliance with the Project’s Process Procedures, Work Instructions, and Business Rules over Eligibility and Participation. The Project’s Process Procedures, Work Instructions, and Business Rules are meant to assure compliance by the Project with the contract provisions. Management of the Project is responsible for the Project’s compliance with the contract requirements. Our responsibility is to express an opinion on the Project’s compliance (management’s assertions) based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Project’s compliance with the Specified Requirements, including compliance with the Project’s Process Procedures, Work Instructions, and Business Rules over Eligibility and Participation, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Project’s compliance with the Specified Requirements.

Because of inherent limitations in any internal control structure, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management’s assertions (Section Four) with respect to the internal control structure of the Eligibility and Participation processing performed by the Project and its compliance with the Specified Requirements related to the Programs during the period May 1, 2008 through April 30, 2009, and compliance with the Project’s Process Procedures, Work Instructions, and Business Rules over Eligibility and Participation were sufficient to meet the stated objectives.

This report is intended solely for the information and use of MAXIMUS Operations Group and the MRMIB, and the auditors of the State of California and is not intended to be and should not be used by anyone other than those specified parties.

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October 7, 2009

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SECTION TWO

Executive Summary

SECTION TWO – EXECUTIVE SUMMARY

Overview

This report summarizes the results of our internal audit procedures related to the Eligibility and Participation stated controls and procedures performed by the MAXIMUS Access for Infants and Mothers (AIM) program (the Project) during the period May 1, 2008 through April 30, 2009. The report covers any exceptions noted during the testing procedures of Eligibility and Participation and any recommendations to improve the controls in the Project's Eligibility and Participation processes.

Our testing relied on statistically valid sampling of participant applications to discover any exceptions to the Eligibility and Participation (some testing made use of 100% re-computation where practical – these areas are noted in Section Four). Our tests resulted in the exceptions summarized below. However, based on the low percentage error rate in the population tested, we feel that the Project's Eligibility and Participation operating controls in place during the period May 1, 2008 through April 30, 2009, are producing the desired processing and monitoring results.

Tests Performed

Our procedures were designed to test the eligibility and enrollment, premium payment amounts, health plan capitation, \$125 reimbursement, and research and appeals processes performed by the Project and its compliance under the contract with the State of California Managed Risk Medical Insurance Board (MRMIB) related to the Access for Infants and Mothers program during the period May 1, 2008 through April 30, 2009. The following are the assertions tested based on the Contract provisions.

- **Eligibility and Enrollment:**

Eligible families applying to the program that provide complete documentation are properly enrolled in the program.

Applications received are:

- Correctly approved or denied based upon the Federal poverty level to qualify for the AIM program
- Entered correctly and completely into the case management system
- Enrolled in the program if no disqualifying events exist

- **Premium Payment Amounts:**

Eligible program participants will be charged exactly 1.5% of adjusted annual household income after deductions for program coverage. Participants will not be charged additional fees, co-pays or deductibles. The monthly premium amount will be based on the health plan the baby is enrolled in and other children enrolled in Healthy Family Program.

- **Health Plan Capitation:**

For AIM linked infants; the system is computing the correct amount of capitation for the 1st and 2nd months of life based upon the rate tables provided by the MRMIB. The dates of capitation correspond to the participant's eligible dates of service.

Plans are notified within the required time frame of birth, and data reported to the plans is consistent with the data included in the case management system.

- **\$125 Reimbursement:**

Participants apply for reimbursement of up to \$125 for paid pregnancy-related services within forty (40) calendar days prior to the date a complete application is received and not later than ninety (90) days of date of service.

- **Research and Appeals:**

Requests for case appeals that meet criteria are processed and forwarded onto the MRMIB within the required timeframe of five (5) business days.

Appeals meeting these criteria are adjudicated by the MRMIB. All changes requested by the MRMIB are processed by the administrative vendor within 2 business days.

Sampling Method

Where sampling was performed, a random selection algorithm was utilized. The sample quantity selected used a population size that was provided with a 95% confidence level, a 5% expected error rate in the population, and a 5% error rate in sampling and testing.

Detailed results along with the tests performed are presented in Section Four - Results of this report.

SECTION THREE

Scope and Objective

SECTION THREE – SCOPE AND OBJECTIVE**Scope of the Internal Audit**

The scope of this internal audit engagement was to examine the Project's stated controls and procedures developed to meet the provisions of the Project's Contract with the MRMIB during the period May 1, 2008 through April 30, 2009 related to eligibility and enrollment, premium payment amounts, health plan capitation, \$125 reimbursement, and research and appeals.

Objective of the Internal Audit

The objective of the testing components included:

- **Eligibility and Enrollment:**

For eligible families applying to the program, test to assure that applicants granted access to the program provided supporting evidence for the following attributes:

- Family income is greater than 200% and not more than 300% of the federal income guidelines
- Not a no-cost Medi-Cal or Medicare Part A or B beneficiary at the time of application (per self declaration)
- Not covered by comparable private insurance benefits (exception: an applicant may have private insurance if the co-payments or deductible for maternity services exceeds \$500.00, per documentation provided)
- Not over 30 weeks pregnant at the time a complete application is received; and
- Not reimbursed by any health care provider or any state or local government entity for payment of the subscriber contribution and not covered under any health care provider. No state or local governmental entity may pay the subscriber contribution (self declaration).

Exception Noted

Identified one (1) case in the sample of seventy-three (73) cases examined (a 1.36% error rate) where the \$50 enrollment fee was refunded after the client became eligible.

MAXIMUS Response

The applicant was initially denied for income too low in August 2008. Applicant submitted additional income and became eligible in late September 2008. The \$50 initial enrollment fee was refunded in December 2008 after the applicant enrolled in AIM because the interface of the AIM-eligible application was not updated to the Oracle Financials.

Previous to this audit, Oracle Financials interface not updating correctly for initially denied cases was identified through the internal QC process in April 2009.

As a result, Problem Statement #56093 and CAR #57687 were generated to correct the Oracle Financials interface. Both the Problem Statement and the CAR state the refund error for this finding.

- **Premium Payment Amounts:**

Test to assure that participants are charged exactly 1.5% of adjusted annual household income after deductions for program coverage.

Verify that premium payments are split evenly in twelve (12) monthly installments. If paid in full at the start of program coverage, verify that a \$50 discount is given to participant.

No exceptions were noted.

- **Health Plan Capitation:**

For AIM linked infants; verify that the system is computing the correct amount of capitation for the 1st and 2nd months of life based upon the rate tables provided by the MRMIB. The dates of capitation correspond to the participant's eligible dates of service.

Verify that plans are notified within the required time frame of birth, and data reported to the plans is consistent with the data included in the case management system.

Test to assure that for AIM linked infants; the system is computing the correct amount of capitation for the 1st and 2nd months of life based upon the rate tables provided by the MRMIB. Additionally, verify that the dates of capitation correspond to the participant's eligible dates of service.

For all the 820 (capitation is performed through the Healthy Families Program) records during the period, recomputed the capitation for the age categories classified as C, D or E. Note:

- C – AIM 1st month infant,
- D – AIM 2nd month infant, and
- E – AIM after bridge.

Test to assure that plans are notified within the required time frame of birth, and data reported to the plans is consistent with the data included in the case management system.

Perform independent rate verification by obtaining the applicable provider rate tables for the grant years being tested from the MRMIB (independent verification of the rates) and tracing the Access for Infants and Mothers (AIM) provider rates obtained independently from the MRMIB to those used for computation of capitation in the eligibility and enrollment system.

Verify eligibility for the participants capitated by selecting a statistically valid sample and tracing the detailed participant information to the enrollment form image retained in in the eligibility and enrollment system. Examined the following:

- Age on application agrees to 820 age category code;
- County of residence agrees to 820 County code;
- Income and family size on the application qualify the participant for the AIM Program;
- Plans selected per application or other documentation agree to the appropriate 820 capitation files; and
- Manually calculated eligibility based on the information contained on the application form.

No exceptions were noted.

- **\$125 Reimbursement:**

Verify the participants that apply for reimbursement of up to \$125 for paid pregnancy-related services within forty (40) calendar days prior to the date a complete application is received and not later than ninety (90) days of date of service are appropriately reimbursed up to \$125.

For a statistically valid sample of the requests for the \$125 reimbursements verify:

- The participant requested reimbursement in writing by mail or fax within ninety (90) days of the date the service was received
- The reimbursement issued was equal or less than \$125
- The service received is in accordance with approved pregnancy service list
- That appropriate documentation was received prior to reimbursement approval
- The date of service is not during the AIM eligibility period and is within forty (40) calendar days prior to the date a complete application was received

Exception Noted

There was one (1) exception noted in the sixty-five (65) cases selected in the sample (a 1.53% error rate) where a \$125 reimbursement was made during the AIM eligibility period.

MAXIMUS Response

The date of service for the \$125 reimbursement was within the eligibility period. However, the reimbursement request was granted due to a specialist error. An average of 150 \$125 reimbursement requests are received on a monthly basis.

Problem Statement #56874 has been created to enhance \$125 reimbursement training including the review of relevant business rules and work instructions in order to minimize specialists' errors. In addition to the documented training, the quality control plan for the refund file included the increased sampling of \$125 reimbursement files to further strengthen the QC process.

- **Research and Appeals:**

Verify that requests for case appeals are handled within the required timeframe as well as the correspondence with the participant.

For a statistically valid sample of requests for Appeals verify:

- The appeal was submitted in writing within sixty (60) calendar days of either the action or inaction taken that is being appealed.
- All AIM appeals meeting criteria are forwarded in hard copy within five (5) business days to the MRMIB for adjudication, (including copies of all correspondence, documentation and all other communications relating to the appeal).
- The result and final disposition of the appeal was appropriate based on facts.
- The correct and appropriate correspondence was sent to the participant.
- Administrative vendor action and confirmation of action within two (2) business days of request by the MRMIB.

Exceptions Noted

In all of the fifty-eight (58) cases tested, the review and forwarding of the appeal was not completed within five (5) business days.

MAXIMUS Response:

The MAXIMUS internal monitoring process has previously identified that not all AIM appeals were forwarded to MRMIB within five (5) business days. Previous to the audit, the process was corrected immediately through Problem Statement #58144.

Effective May 14, 2009, all AIM appeals are sent to the MRMIB within five (5) business days. All AIM appeals processed between May 14, 2009 and May 31, 2009 have been verified to confirm that they are now processed and forwarded to MRMIB within five (5) business days. An average of twelve (12) AIM appeals are received on a monthly basis.

SECTION FOUR

Results

SECTION FOUR – RESULTS

The components, testing procedures performed and results are listed below.

Assertions	Internal Audit Procedures	Results
Eligibility and Enrollment		
<p>Eligible families applying to the program that provide complete documentation are properly enrolled in the program.</p> <p>Applications received are:</p> <ul style="list-style-type: none"> ▪ Correctly approved or denied based upon the Federal poverty level to qualify for the AIM program ▪ Entered correctly and completely into the case management system ▪ Enrolled in the program if no disqualifying events exist 	<ul style="list-style-type: none"> • <i>Queried</i> the system database for new AIM applications from May 1, 2008 to April 30, 2009 (AIM new application population). • <i>Obtained</i> and examined the AIM Handbook and Business Rules for eligibility determination. • <i>Examined</i> the 2008 and 2009 Poverty Level Guidelines indicating 200% to 300% of the poverty level. • <i>Selected</i> seventy-three (73) applications at random from the AIM new application population (the new application sample). • <i>Tested</i> the new application sample by tracing the data from the completed applications (or other evidence) to the case file in the system for data entry accuracy. • <i>Tested</i> the eligibility determination by manually reviewing information in the case file and comparing the determination to that in the case management system. 	<p>Obtained the query results for new AIM applications from May 1, 2008 to April 30, 2009 without exception.</p> <p>Obtained and reviewed the AIM Handbook and the AIM Business Rules without exception.</p> <p>Obtained 2008 and 2009 Federal Poverty Level Guidelines from the US Government website and compared the guideline percentages to the AIM eligibility guidelines without exception.</p> <p>Selected the new application sample without exception.</p> <p>Tested the new application sample without exception.</p> <p>Tested the eligibility determination for the new application sample without exception.</p>

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none">• <i>Verified</i> the initial \$50.00 application fee accompanied each application. If participant is ineligible, verify that application fee was refunded.	<p>Identified one (1) case in the sample of seventy-three (73) cases examined (a 1.36% error rate) where the \$50.00 enrollment fee was initially refunded, the refund was not reversed when the client became eligible and was not recouped.</p> <p>MAXIMUS Response:</p> <p>The applicant was initially denied for income too low in August 2008. Applicant submitted additional income and became eligible in late September 2008. The \$50 initial enrollment fee was refunded in December 2008 after the applicant enrolled in AIM because the interface of the AIM-eligible application was not updated to the Oracle Financials.</p> <p>Previous to this audit, Oracle Financials interface not updating correctly for initially denied cases was identified through the internal QC process in April 2009.</p> <p>As a result, Problem Statement #56093 and CAR #57687 were generated to correct the Oracle Financials interface. Both the Problem Statement and the CAR state the refund error for this finding.</p>

Assertions	Internal Audit Procedures	Results
Premium Payment Amounts		
<p>Participants are charged exactly 1.5% of adjusted annual household income after deductions for program coverage.</p> <p>Premium payments are split evenly in twelve (12) monthly installments.</p> <p>If paid in full at the start of program coverage, a \$50 discount is given to the participants.</p>	<ul style="list-style-type: none"> • <i>Verified</i> participants included in the new application sample were charged exactly 1.5% of adjusted annual income after deductions for program coverage. • <i>Verified</i> that the premiums for participants included in the new application sample were split evenly in twelve (12) monthly installments. • <i>Verified</i> that the participants in the new application sample that paid in full at the start of the program coverage were given a \$50 discount. 	<p>Verified without exception.</p> <p>Verified without exception.</p> <p>Verified without exception.</p>

Assertions	Internal Audit Procedures	Results
Health Plan Capitation		
<p>System is computing the correct amount of capitation based upon the rate tables provided by the MRMIB.</p> <p>The amounts reported to the MRMIB are correctly allocated and summarized based upon participant's residency status.</p> <p>Information provided in the 820 capitation files corresponds to the information contained in the case management system.</p> <p>Capitated participants are eligible for participation in the program.</p>	<ul style="list-style-type: none"> • <i>Obtained</i> the applicable provider rate tables for the grant years being tested from the MRMIB. • <i>Compared</i> the AIM provider rates obtained independently from the MRMIB to those used for the computation of capitation in the system. • <i>Obtained</i> the 820 files (HFP) for the period May 1, 2008 through April 30, 2009. • <i>Performed</i> a 100% test by re-computing capitation for all AIM participants included in the 820 capitation files obtained (note that capitation is performed through the Healthy Families Program). • <i>Investigated</i> differences. 	<p>Obtained without exception.</p> <p>Agreed the rates obtained independently to those included in the system without exception.</p> <p>Obtained without exception.</p> <p>Capitation was recomputed without exception for classifications C, D and E for the period May 1, 2008 through April 30, 2009:</p> <ul style="list-style-type: none"> • C – AIM 1st month infant, • D – AIM 2nd month infant, and • E – AIM after bridge. <p>No exceptions or differences were noted.</p>
\$125 Reimbursement		
<p>Participants that apply for reimbursement of up to \$125 for paid pregnancy-related services within forty (40) calendar days prior to the date a complete application is received and not later than ninety (90) days of date of service are appropriately reimbursed up to \$125.</p>	<ul style="list-style-type: none"> • <i>Obtained</i> a listing from the system database for AIM \$125 reimbursement requests submitted during the period from May 1, 2008 to April 30, 2009. • <i>Selected</i> a statistically valid sample from the \$125 reimbursement requests obtained for the period May 1, 2008 through April 30, 2009 (the 125 sample). 	<p>Obtained without exception.</p> <p>Obtained the \$125 sample without exception.</p>

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none"> • <i>Verified</i> that the applicant requested reimbursement in writing by mail or fax within ninety (90) days of service received for each of the participants in the \$125 sample. • <i>Verified</i> that the date of service was within forty (40) days of the submittal of a completed application and not within the AIM eligibility period for each of the participants in the \$125 sample. • <i>Verified</i> (where applicable) that reimbursement amount was equal or less to \$125 for each of the participants in the 125 sample. 	<p>Verified without exception.</p> <p>There was one (1) exception noted in the sixty-five (65) cases selected in the sample (a 1.53% error rate) where a \$125 reimbursement was made during the AIM eligibility period.</p> <p>MAXIMUS Response:</p> <p>The date of service for the \$125 reimbursement was within the eligibility period. However, the reimbursement request was granted due to a specialist error. An average of 150 \$125 reimbursement requests are received on a monthly basis.</p> <p>Problem Statement #56874 has been created to enhance \$125 reimbursement training including the review of relevant business rules and work instructions in order to minimize specialists' errors. In addition to the documented training, the quality control plan for the refund file included the increased sampling of \$125 reimbursement files to further strengthen the QC process.</p> <p>Verified without exception.</p>

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none"> • <i>Verified</i> that services received were in accordance with the approved pregnancy service list for each of the participants in the \$125 sample. • <i>Verified</i> that appropriate documentation was received prior to reimbursement approval for each of the participants in the \$125 sample. 	<p>Verified without exception.</p> <p>Verified without exception.</p>
Research and Appeals		
Request for case appeals are handled within the required timeframe as well as the correspondence with the participant.	<ul style="list-style-type: none"> • <i>Obtained</i> a listing of appeals filed during the period from May 1, 2008 through April 30, 2009. • <i>Selected</i> a statistically valid sample from appeals filed during the period from May 1, 2008 to April 30, 2009 (the appeals sample). • <i>Verified</i> that AIM appeals being forwarded to the MRMIB were submitted within sixty (60) calendar days of action/inaction. 	<p>Obtained without exception.</p> <p>Selected without exception</p> <p>Verified without exception.</p>

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none">• <i>Verified</i> that AIM appeals are forwarded in hard copy within five (5) business days to the MRMIB for applicants in the appeals sample.• <i>Verified</i> the result and final disposition of the appeal was appropriate for participants in the appeals sample.	<p>In all of the fifty-eight (58) cases tested, the review and forwarding of the appeal was not completed within five (5) business days.</p> <p>MAXIMUS Response:</p> <p>The MAXIMUS internal monitoring process has previously identified that not all AIM appeals were forwarded to MRMIB within five (5) business days. Previous to the audit, the process was corrected immediately through Problem Statement #58144.</p> <p>Effective May 14, 2009, all AIM appeals are sent to the MRMIB within five (5) business days. All AIM appeals processed between May 14, 2009 and May 31, 2009 have been verified to confirm that they are now processed and forwarded to MRMIB within five (5) business days. An average of twelve (12) AIM appeals are received on a monthly basis.</p> <p>Verified without exception.</p>

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none"> <i>Verified</i> that the correct and appropriate letter of correspondence was sent to the participant for applicable appeals in the sample. <i>Verified</i> administrative vendor action and confirmation of appeal action requested by the MRMIB within two days of request. 	<p>Verified without exception.</p> <p>Recommendation: A quality review of all free form text on 34 letters is made.</p> <p>MAXIMUS Response:</p> <p>Currently, all Letter 34s are manually reviewed for daily quality control. The exception of incorrect text on one Letter 34 showed two words were missing from the last sentence in the manual text: "Therefore, the plan the medical services that you received on 12/26/07." The proper grammar would have been: "Therefore, contact the plan for the medical services that you received on 12/26/07."</p> <p>A customer service representative assisted the applicant and provided appropriate information when she called in for additional information after receiving the letter.</p> <p>Problem Statement #57241 has been created to evaluate the effectiveness of daily quality control process for Letter 34 and identify opportunities for improvement.</p> <p>Verified without exception.</p>
Exception Verification		
All exceptions have been verified and an explanation received from MAXIMUS management.	<ul style="list-style-type: none"> <i>Reviewed</i> all exceptions with appropriate MAXIMUS personnel and obtained responses for each item noted. 	Reviewed all exceptions and provided responses in the report without exception.